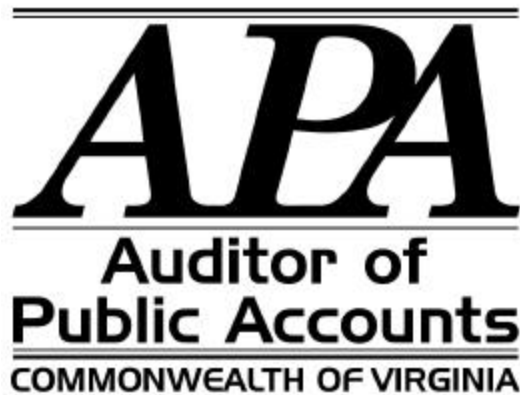


**NORFOLK STATE UNIVERSITY
NORFOLK, VIRGINIA**

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2001**



AUDIT SUMMARY

Our audit of Norfolk State University for the year ended June 30, 2001, found:

- the accompanying financial statements present fairly, in all material respects, the University's financial position as of June 30, 2001, and the changes in fund balances and current funds revenues, expenditures, and other changes for the year then ended, in conformity with generally accepted accounting principles;
- internal control matters that we consider to be reportable conditions; however, we do not consider any of these to be material weaknesses; and
- an immaterial instance of noncompliance with applicable laws and regulations.

Automated Student Information System and Registration Process

The University completed implementation of its new student information system in the fall of 1999. The new student system decentralized the registration process and allowed departments to register students and process class changes on-line. In our previous audit, we reported that management did not completely develop and distribute adequate policies and procedures to ensure all departmental personnel involved in registration understood the process. This lack of knowledge caused many errors in the registration process and greatly increased the workload of the Registrar, Student Accounts and Financial Aid Offices in determining accurate student account balances.

Management has established policies and procedures and provided training to departments with respect to the registration process. However, this report identifies concerns we continue to have with development and enforcement of certain policies and procedures. Students continue to register for classes without clearing their previous debts to the University. Establishing specific rules within the student system could prevent these students from registering. Existing procedures do not include formal reconciliations to verify student housing and meal charges, and the accurate recording of advance payments from students. These reconciliations serve as an important internal control measure to determine the accuracy of student account balances.

The University has undertaken an extensive effort to research all student accounts that may have inaccurate charges assessed in prior periods to determine appropriate balances outstanding. The University should continue this research and adjust student account balances to properly reflect collectible assets.

As a result of this research, the University has identified approximately \$52,000 of federal financial aid inappropriately used to pay student charges. Federal regulations require the University to return these funds to the grantor. As the University continues its research, they expect to find more instances resulting in federal funds due back to grantors. We will continue to monitor the University's progress in identifying and resolving these student account balances. We cannot project the liability to grantors at this time.

Although this audit examined the financial statements for the year ended June 30, 2001, we continued to examine and test internal control and other processes through the end of our work in June 2002. The comments contained in the "Internal Control and Compliance Findings and Recommendations" section of this report reflect issues that University management must address as of the date of this audit report.

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UNIVERSITY OFFICIALS

June 14, 2002

The Honorable Mark R. Warner
Governor of Virginia

The Honorable Kevin G. Miller
Chairman, Joint Legislative Audit and Review Commission

Board of Visitors
Norfolk State University

We have audited the accounts and records of **Norfolk State University** as of and for the year ended June 30, 2001, and submit herewith our complete reports on financial statements and on compliance and internal control over financial reporting.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the balance sheet of Norfolk State University, a component of the Commonwealth of Virginia, as of June 30, 2001, and the related statements of changes in fund balances and current funds revenues, expenditures, and other changes for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Norfolk State University as of June 30, 2001, and the changes in fund balances and current funds revenues, expenditures, and other changes for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying “Schedule of Operations – Auxiliary Enterprises” is presented for the purpose of additional analysis and is not a required part of the financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion; such information is fairly presented in all material respects, in relation to the financial statements taken as a whole.

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements of Norfolk State University as of and for the year ended June 30, 2001, we considered internal controls over financial reporting and tested compliance with certain provisions of laws, regulations, contracts, and grants in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards.

Compliance

As part of obtaining reasonable assurance about whether the University’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances required to be reported, however, we noted an immaterial instance of noncompliance described in the section titled “Internal Control and Compliance Findings and Recommendations.”

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the University’s ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the section titled, “Internal Control and Compliance Findings and Recommendations.”

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

Status of Prior Findings

The University has not taken adequate corrective action with respect to previously reported findings “Enforce Policies and Procedures for the Small Purchase Charge Card,” “Test and Load System Patches Timely,” and “Follow System Backup Procedures.” Accordingly, we included these findings in the section entitled “Internal Control and Compliance Findings and Recommendations.” The University has taken adequate corrective action with respect to audit findings reported in the prior year that are not repeated in this report.

The “Independent Auditor’s Report on Compliance and on Internal Control Over Financial Reporting” is intended solely for the information and use of the Governor and General Assembly of Virginia, Board of Visitors, and management, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

EXIT CONFERENCE

We discussed this report with management at an exit conference held on July 15, 2002.

AUDITOR OF PUBLIC ACCOUNTS

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INTERNAL CONTROL AND COMPLIANCE FINDINGS AND RECOMMENDATIONS

Accounts Receivable

The University completed implementation of its new student information system in the fall of 1999. The new student system decentralized the registration process and allowed departments to register students and process class changes on-line. In our previous audit, we reported that management did not completely develop and distribute adequate policies and procedures to ensure all departmental personnel involved in registration understood the process. This lack of knowledge caused many errors in the registration process and greatly increased the workload of the Registrar, Student Accounts and Financial Aid Offices in determining accurate student account balances.

This report repeats concerns we continue to have with management's development and enforcement of policy and procedures with respect to the registration process. Students continue to register for classes without clearing their previous debts to the University. Establishing specific rules within the student system could prevent these students from registering. Existing procedures do not include formal reconciliations to verify student housing and meal charges. Other reconciliation procedures do not exist to determine proper recording of student advance payments. These reconciliations serve as an important internal control measure to determine the accuracy of student account balances. The following comments relate to issues we noted concerning the registration process and the recording of student accounts.

Establish Rules within the Student Information System and Follow Established Procedures Regarding the Registration Process

Management did not establish rules at the appropriate level within the new student information system to prevent students with unpaid balances from registering for classes. The new system's decentralized environment gave departments, other than the Registrar, the capability to register students. Although the rules identified students with unpaid balances, the system did not prevent departments from registering these students. As a result, students continued to register for classes without clearing their previous debts to the University.

University policy states that students with a balance from previous semesters cannot re-enroll without either sufficient financial aid to cover the previous balance and the current balance, or a payment plan arrangement. Management should establish system rules at the appropriate level ensuring compliance with registration policy. These rules would also assist in the identification and collection of overdue accounts.

Identify and Return Federal Financial Aid Due Back to Grantors

In our previous audit, we reported that management did not completely develop and distribute adequate policies and procedures to ensure all departmental personnel involved in registration understood the process. This lack of knowledge caused many errors in the registration process. The University has undertaken an extensive effort to research all student accounts that may have inaccurate charges to determine appropriate balances outstanding.

As a result of this research, the University has identified approximately \$52,000 of federal financial aid inappropriately used to pay student charges. Federal regulations require the University to return these funds to the grantor. As the University continues its research, they expect to find more instances resulting in federal funds due back to grantors. We will continue to monitor the University's progress in identifying and resolving these student account balances. We cannot project the liability to grantors at this time.

Develop Procedures to Reconcile Housing and Meal Charges and Maintain Adequate Documentation

The University Housing Office did not reconcile student room and meal charges on the Student Information System to its internal records. No documented procedures exist to perform this reconciliation. As a result, invalid student housing and meal charges remained on the Student Information System. Also, the Housing Office could not provide adequate documentation to support the following transactions:

- Two students did not have contracts to support housing and meal charges.
- Three students deregistered from the University (all charges removed) but their housing and meal charges remained on the student system. The Housing Office could not provide support that the students actually withdrew from housing.
- Two students received housing and meal plans, but did not register for classes at the University.
- Two students had incorrect charges for meal plans.

The University's recent problems with the registration process caused a number of students to have inaccurate housing and meal charges reflected on the system. Based on limited test work, we have projected an error of approximately \$136,000 in recorded housing charges. The audited financial statements include adjustments for this amount.

The University must establish procedures for maintaining adequate documentation with respect to housing and meal assignments. Procedures should include a formal reconciliation process between Housing Office records and information included on the University's student system. The reconciliation will provide assurance that accurate student charges exist on the system. The Housing Office should review and adjust current room and meal charges and ensure that only students who register for classes live in the dormitories.

Reconcile and Properly Distribute Advance Payments from Students

The University records advance payments from students for future tuition and fee charges in a deposit account on the student system (subsidiary ledger). The system does not automatically distribute these payments to the students' related tuition and fee charges. As a result, the University must perform an inefficient manual process to research each advance payment and apply it to a student's related account balance.

Further, advance payments applied to a student's account can result in discrepancies between the University's student system and the general ledger system. The University did not reconcile the balances per the student and general ledger systems. A difference of \$55,500 exists at June 30, 2001 between the two systems. Based on test work performed on these account balances, we have projected an audit adjustment of approximately \$155,000 to reduce student account balances and deposits outstanding. The audited financial statements include adjustments for this amount.

The University is working with the system's vendor to create system functions that automate the process of applying advance payments to related charges. This would eliminate the inefficient manual process. The University should also develop and perform reconciliation procedures to ensure the systems reflect accurate student account and deposit balances for reporting purposes.

Procurement

Enforce Policies and Procedures for the Small Purchase Charge Card

As noted in prior audits, the University has not followed its policies and procedures over the use of Small Purchase Charge Cards. The University purchased approximately \$1,056,000 through the Small Purchase Credit Card (SPCC) program, representing a 37 percent increase over the previous year. We found the following inadequacies within the SPCC program activities for 33 cardholders tested:

- Thirteen cardholders could not provide receipts to verify over \$6,000 in purchases.
- Two cardholders inappropriately purchased software using their SPCC.
- Seven cardholders could not provide monthly statements for reconciliation purposes.
- Six cardholders did not maintain payment log sheets.
- The University erroneously paid \$77 in sales tax for SPCC cardholders.

Our analysis of the entire SPCC program activities revealed the following weaknesses:

- Eleven cardholders circumvented their transaction limit by making split purchases.
- On an annual basis the Program Administrator must provide justification to the Department of Accounts (DOA) for those cardholders having multiple cards. We found eleven multiple cardholders not included on the DOA justification listing. Also, we found four multiple cardholders that did not make any purchases during the fiscal year and six cardholders that had multiple cards in which they did not make purchases on some of their cards.
- The Program Administrator did not perform and document an annual analysis of cardholder usage and limits as required by the Commonwealth Policy and Procedures Manual (CAPP). This procedure would identify any large variances between the transaction limit and what the cardholder charged.

The University should enforce its policies and procedures for the use of Small Purchase Charge Cards to ensure proper use for the intended purpose. In addition, the Program Administrator should review cardholders' usage to determine that cardholders have appropriate transaction limits and only have cards when necessary.

Enhance Contract Administration over Cell Phones

University departments used a vendor currently under state contract for cell phone services. However, several departments entered into separate contracts with the vendor outside of the existing state contract. The Office of Information Technology (OIT) had responsibility for administering this state contract. Inadequate contract administration and a lack of formal procedures governing cell phone usage resulted in the following findings:

- No policy exists addressing the issuance and use of cell phones. Policies also do not address monitoring and reimbursement of personal calls. We noted inappropriate personal calls made from the Housing Department.

- Several departments paid more than the state contract rates for services.
- Departments paid for enhanced services (text messages and caller ID) already provided under the state contract.
- Departments contracted with the vendor using their American Express Small Purchase Charge Card (SPCC). State policy does not allow the use of SPCC for these contracts. In one instance, the cardholder paid the SPCC bill late, resulting in assessed late charges.
- The state contract requires the vendor to provide one consolidated bill to the University. The University received nine bills each month because of the number of contracts. In addition, University personnel used their SPCC to pay the vendor \$20,267. Without a consolidated bill, the vendor often applies these payments to the wrong University account. As a result, the Accounts Payable department must research the bills to determine the University has made proper payment.

The University should consider centralizing the procurement and contract administration of cell phone services within the University's Material Management Office. Developing policies and procedures and centralizing this process will help ensure compliance with the Commonwealth's Procurement Guidelines and adherence to parameters within the state contract.

Maintain Support for Receipt of Goods and Services

The University's automated Accounts Payable system does not require users to enter a date on the system for receipt of goods or services prior to payment. University procedures require the Accounts Payable department to monitor this date and contact the requesting department if there is no date. The requesting department must then sign the vendor's invoice indicating receipt of goods or service. For 3 of 17 purchases tested, no support existed to determine the receipt of goods or services.

Without proper support for receipt of goods or services, the University could make payments for goods and services it has not received or could make duplicate payments. The University should keep documentation to support the receipt of goods and services. System requirements should include completion of the receiving date by users of the system prior to payment of invoice.

Enforce Procurement Policy and Procedures

The Physical Plant department has delegated purchasing authority up to \$5,000. In two instances, the department entered into numerous contracts for services with the same vendor to remain within the delegated purchasing authority. The department paid \$53,000 and \$19,000 respectively, to these vendors. Contracts for these amounts would have required the University to seek competition for these services. Departments should not circumvent their delegated purchasing authority through order splitting and all purchases should comply with the Commonwealth's competitive bidding policies when applicable.

Automated Information Systems

Strengthen Computer Access Controls

The University's Office of Information Technology (OIT) did not delete user access to the Student Information System for five terminated employees. The Human Resource Department had notified OIT of the terminations as required. Failure to update employees' access due to termination increases exposure to unauthorized system access. OIT should delete user access for terminated employees when notified by the Human Resource Department.

Test and Load System Patches Timely

The University encountered technical and logical programming and processing problems during implementation of the student system. These problems resulted in the system vendor and the University re-assessing its system design by requesting or providing modifications or patches.

As noted in our prior year audit, the University again did not test and install all patches to the student system timely. Failure to test and install these patches may jeopardize receiving future technical support from the vendor and cause inefficient and ineffective automated processes to take place.

University policy requires installation of patches into a test account before transferring to live accounts within ten days. When reviewing patch listings, we found patches transferred to the live system prior to placement into the test account. We recommend that the Office of Information Technology enforce procedures to test and move to production all patches and system upgrades within a reasonable time period.

Follow System Back-up Procedures

As noted in our prior year audit, the University did not follow its data back-up procedures for the Student Information System (Colleague) and the General Ledger System (IFAS). The procedures require storing of back-up tapes off-site in the Technology Building. The University did not store back-up tapes at the off-site location. The University should adhere to its written policy to ensure adequate support of student and financial data in case of system failures.

Other

Resolve Unreconciled Items Timely

The Financial Services Department and the Bursar's Office did not properly reconcile the Federal Perkins Loan account to the general ledger. During our review of the year-end reconciliation, we found numerous unresolved reconciling items, some up to 13 months old.

Financial Services and the Bursar's Office have begun researching the outstanding reconciling items on the June 2001 reconciliation. The University should continue to research all reconciling items and prepare timely reconciliations that accurately reflect loan balances. This will also ensure proper collection of outstanding loan accounts.

Conduct Due Diligence for Exit Interviews for Perkins Loans

The University did not conduct exit counseling for borrowers of Perkins Loans that entered repayment status. All five borrowers tested were not contacted within 30 days after learning that the borrower withdrew from school or had not completed exit counseling.

Federal regulations, 34 CFR Section 674.42(b), “Exit Interview Cite,” requires that an institution must conduct exit counseling with each borrower either in person, by audiovisual presentation, or by interactive electronic means. The institution must conduct this counseling shortly before the borrower ceases at least half-time study at the institution. If the Borrower withdraws from school without the school's prior knowledge or fails to complete an exit counseling session as required, the school must provide exit counseling through either interactive electronic means or by mailing counseling material to the borrower at the borrower's last known address within 30 days after learning that the borrower has withdrawn from school or failed to complete exit counseling as required. The 2000-01 Federal Student Financial Aid Handbook Volume Five Chapter 7, “Due Diligence,” states that: “The school must document all exit interviews.”

The University should conduct exit counseling with all borrowers within 30 days as required by federal regulation.

FINANCIAL STATEMENTS

NORFOLK STATE UNIVERSITY
BALANCE SHEET
As of June 30, 2001

A S S E T S	Current Funds		Loan Funds
	Unrestricted	Restricted	
Cash, including temporary investments (Note 4)	\$ 4,502,621	\$ 282,414	\$ 498,280
Appropriations available	1,803,616	8,219	-
Investments with the Treasurer of Virginia (Note 4)	168,799	-	-
Investments (Note 4)	101,591	-	-
Accounts receivable (Net of allowance for doubtful accounts of \$1,713,217)	2,712,902	1,170,940	44,051
Notes receivable (Net of allowance for doubtful accounts of \$2,258,486)	-	-	1,688,557
Due from other funds	-	-	-
Inventories	4,966	-	-
Prepaid expenses	2,612,142	129,600	-
Land	-	-	-
Buildings	-	-	-
Improvements	-	-	-
Equipment	-	-	-
Library books	-	-	-
Construction in progress	-	-	-
Total assets	<u>\$ 11,906,637</u>	<u>\$ 1,591,173</u>	<u>\$ 2,230,888</u>
LIABILITIES AND FUND BALANCES			
Accounts payable and accrued liabilities	\$ 4,137,715	\$ 735,746	\$ -
Obligations under Securities Lending Program	144,114	-	-
Accrued leave (Note 1G)	2,863,881	246,492	-
Deposits and deferred revenue (Note 1H)	856,414	-	4,579
Credit balances - student accounts	492,149	-	-
Retainage payable	-	-	-
Due to other funds	387,634	-	-
Note payable (Note 5)	-	-	-
Bonds payable (Note 5)	-	-	-
Leases payable (Note 5)	-	-	-
Funds held in custody for others	-	-	-
Fund balances (deficits):			
Unrestricted current funds	3,024,730	-	-
Restricted current funds	-	608,935	-
Loan funds, U.S. Government grants	-	-	1,486,576
Loan funds, University - Restricted	-	-	739,733
Unexpended - Unrestricted	-	-	-
Renewals and replacements - Restricted	-	-	-
Renewals and replacements - Unrestricted	-	-	-
Retirement of indebtedness - Restricted	-	-	-
Net investment in plant	-	-	-
Total liabilities and fund balances	<u>\$ 11,906,637</u>	<u>\$ 1,591,173</u>	<u>\$ 2,230,888</u>

The accompanying notes to financial statements are an integral part of this statement.

Unexpended	Plant Funds			Agency Funds	Total (Memorandum Only)
	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant		
\$ -	\$ 123,889	\$ -	\$ -	\$ 698,829	\$ 6,106,033
7,969,638	968,597	-	-	-	10,750,070
-	-	-	-	-	168,799
-	407,000	378,116	-	-	886,707
-	-	-	-	12,250	3,940,143
-	-	-	-	-	1,688,557
-	387,634	-	-	-	387,634
-	-	-	-	-	4,966
-	-	-	-	125	2,741,867
-	-	-	3,252,532	-	3,252,532
-	-	-	78,218,203	-	78,218,203
-	-	-	30,171,173	-	30,171,173
-	-	-	21,015,855	-	21,015,855
-	-	-	6,056,117	-	6,056,117
-	-	-	608,446	-	608,446
<u>\$ 7,969,638</u>	<u>\$ 1,887,120</u>	<u>\$ 378,116</u>	<u>\$ 139,322,326</u>	<u>\$ 711,204</u>	<u>\$ 165,997,102</u>

\$ 2,409	\$ -	\$ -	\$ -	\$ 1,097	\$ 4,876,967
-	-	-	-	-	144,114
-	-	-	-	-	3,110,373
-	-	-	-	-	860,993
-	-	-	-	-	492,149
16,010	-	-	-	-	16,010
-	-	-	-	-	387,634
-	-	-	2,814,170	-	2,814,170
-	-	-	20,564,586	-	20,564,586
-	-	-	791,697	-	791,697
-	-	-	-	710,107	710,107
-	-	-	-	-	3,024,730
-	-	-	-	-	608,935
-	-	-	-	-	1,486,576
-	-	-	-	-	739,733
7,951,219	-	-	-	-	7,951,219
-	407,000	-	-	-	407,000
-	1,480,120	-	-	-	1,480,120
-	-	378,116	-	-	378,116
-	-	-	115,151,873	-	115,151,873
<u>\$ 7,969,638</u>	<u>\$ 1,887,120</u>	<u>\$ 378,116</u>	<u>\$ 139,322,326</u>	<u>\$ 711,204</u>	<u>\$ 165,997,102</u>

NORFOLK STATE UNIVERSITY
STATEMENT OF CHANGES IN FUND BALANCES
For the Year Ended June 30, 2001

	Current Funds		Loan Funds
	Unrestricted	Restricted	
Revenues and other additions:			
Unrestricted current funds revenues	\$80,930,856	\$ -	\$ -
State appropriation - Restricted	-	4,530,457	-
Federal grants and contracts - Restricted	-	38,100,391	-
State grants and contracts - Restricted	-	1,352,703	-
Local grants and contracts - Restricted	-	104,050	-
Private gifts, grants and contracts - Restricted	-	586,179	120
Investment income - Restricted	-	-	15,207
Interest on loans receivable	-	-	72,288
Collection fees	-	-	30,988
Expended for plant facilities (Including \$2,251,883 charged to current funds)	-	-	-
Retirement of indebtedness (Including \$15,667 charged to current funds)	-	-	-
Other sources	-	1,266	7,342
Total revenues and other additions	80,930,856	44,675,046	125,945
Expenditures and other deductions:			
Educational and general expenditures	54,919,304	44,534,440	3,666
Auxiliary enterprises expenditures	18,308,505	269,848	-
Indirect cost recovered	-	760,470	-
Loan cancellations, assignments and write-offs	-	-	99,871
Administrative and collection costs	-	-	59,291
Expended for plant facilities (Including \$795,091 not capitalized)	-	-	-
Retirement of indebtedness	-	-	-
Interest on indebtedness	-	-	-
Disposal of plant assets	-	-	-
Other deductions	-	-	-
Refunded to grantors	-	19,040	448
Reversion to the general fund of the Commonwealth	-	-	-
Total expenditures and other deductions	73,227,809	45,583,798	163,276
Transfers among funds - additions/(deductions):			
Mandatory:			
Debt service	(2,726,279)	-	-
Nonmandatory - (To)/From other funds	(453,093)	(22,750)	97,039
Total transfers among funds	(3,179,372)	(22,750)	97,039
Net increase (decrease) for the year	4,523,675	(931,502)	59,708
Fund balances (deficits) at July 1, 2000	(1,498,945)	1,540,437	2,166,601
Fund balances (deficits) at June 30, 2001	\$ 3,024,730	\$ 608,935	\$ 2,226,309

The accompanying notes to financial statements are an integral part of this statement.

Plant Funds			
Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant
\$ -	\$ -	\$ -	\$ -
4,173,262	617,342	564,942	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	3,714	-
-	-	-	-
-	-	-	2,747,959
-	-	-	2,084,671
-	-	-	-
4,173,262	617,342	568,656	4,832,630
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
620,432	670,735	-	-
-	-	2,069,004	-
-	-	1,232,457	-
-	-	-	154,297
-	-	-	-
-	-	-	-
173,163	-	-	-
793,595	670,735	3,301,461	154,297
-	-	2,726,279	-
-	378,804	-	-
-	378,804	2,726,279	-
3,379,667	325,411	(6,526)	4,678,333
4,571,552	1,561,709	384,642	110,473,540
\$ 7,951,219	\$ 1,887,120	\$ 378,116	\$115,151,873

NORFOLK STATE UNIVERSITY
STATEMENT OF CURRENT FUNDS REVENUES,
EXPENDITURES, AND OTHER CHANGES
For the Year Ended June 30, 2001

	Current Funds		Total
	Unrestricted	Restricted	
Revenues:			
Tuition and fees	\$ 19,336,896	\$ -	\$ 19,336,896
State appropriations (Note 8)	39,347,348	5,165,447	44,512,795
Federal grants and contracts	658,487	37,527,244	38,185,731
State grants and contracts	82,178	1,541,248	1,623,426
Local grants and contracts	955	48,395	49,350
Private gifts, grants and contracts	18,850	521,954	540,804
Sales and services of auxiliary enterprises	20,960,471	-	20,960,471
Investment income	10,443	-	10,443
Other sources	515,228	-	515,228
Total current revenues	80,930,856	44,804,288	125,735,144
Expenditures and mandatory transfers:			
Educational and general:			
Instruction	25,621,043	2,160,701	27,781,744
Research	446,424	3,729,717	4,176,141
Public service	492,417	647,105	1,139,522
Academic support	5,433,310	3,257,059	8,690,369
Student services	4,160,373	855,816	5,016,189
Institutional support	10,284,311	261,366	10,545,677
Operation and maintenance of plant	7,590,050	5,521	7,595,571
Scholarships and fellowships	891,376	33,617,155	34,508,531
Educational and general expenditures	54,919,304	44,534,440	99,453,744
Mandatory transfer for debt service	41,676	-	41,676
Total educational and general	54,960,980	44,534,440	99,495,420
Auxiliary enterprises:			
Operating expenditures	18,308,505	269,848	18,578,353
Mandatory transfers for debt service	2,684,603	-	2,684,603
Total auxiliary enterprises	20,993,108	269,848	21,262,956
Total expenditures and mandatory transfers	75,954,088	44,804,288	120,758,376
Other transfers and deductions:			
Excess of restricted receipts over transfers to revenue	-	(889,712)	(889,712)
Refunded to grantors	-	(19,040)	(19,040)
Nonmandatory transfers to other funds	(453,093)	(22,750)	(475,843)
Net increase/(decrease) in fund balances	\$ 4,523,675	\$ (931,502)	\$ 3,592,173

The accompanying notes to financial statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

NORFOLK STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS

AS OF JUNE 30, 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Norfolk State University have been prepared in accordance with generally accepted accounting principles for colleges and universities. The significant accounting policies followed by the university are as follows:

A. Reporting Entity

Norfolk State University is an institution of higher education and operates under policy guidelines established by the State Council of Higher Education in Virginia and is governed by a Board of Visitors.

A separate report is prepared for the Commonwealth of Virginia, which includes all agencies, boards, commissions, and authorities over which the Commonwealth exercises or has the ability to exercise oversight authority. The University is a component unit of the Commonwealth of Virginia and is included in the general purpose financial statements of the Commonwealth.

B. Basis of Accounting

The University utilizes the accrual basis of accounting in accordance with the American Institute of Certified Public Accountants' audit guide, Audits of Colleges and Universities. The accompanying financial statements include no provision for the depreciation of plant assets.

The Statement of Current Funds Revenues, Expenditures, and Other Changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period, as would a statement of income or a statement of revenues and expenses.

C. Fund Accounting

To ensure observance of limitations and restrictions placed on the use of resources, the accounts are maintained in accordance with the principles of fund accounting. Resources are classified for accounting and reporting purposes into funds that may be used for specified activities or objectives. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds allocated to specific purposes by action of the Board of Visitors. Externally restricted funds may only be utilized in accordance with purposes established by the source of such funds, and are in contrast with unrestricted funds over which the governing board retains full control and use in achieving any of its institutional purposes, subject only to state laws and regulations governing such funds.

Unrestricted revenue is accounted for in the Unrestricted Current Fund. Restricted gifts, grants, appropriations, and other restricted resources are accounted for in the appropriate restricted funds. Restricted Current Funds are reported as revenues and expenditures when expended for current operating purposes.

A summary of fund group definitions is as follows:

Current Funds - Current fund balances are separated into those which are restricted by donors and those which are unrestricted. Restricted funds may only be expended for the purposes indicated by the donor or grantor; whereas unrestricted funds are available for current operations at the discretion of the University.

Loan Funds - Loan funds represent funds that are limited by the terms of their donors or by action of the Board of Visitors for the purpose of making loans to students.

Plant Funds - Plant funds are divided into four groups: Unexpended, Renewals and Replacements, Retirement of Indebtedness, and Investment in Plant. Unexpended plant funds represent funds that are specified by external sources or are designated by the Board of Visitors for the acquisition and construction of physical properties. Renewal and Replacement funds represent funds for the renovation and replacement of physical properties. The Retirement of Indebtedness fund includes resources held for the retirement of both principal and interest on debt and sinking funds established under bond indentures. Net Investment in Plant represents the capitalized value of physical property owned by the University, less associated long-term debt.

Agency Funds - Agency Funds reflects funds held in trust by the University.

D. Inventories

Inventories are valued at the lower of cost (generally determined on the first-in, first-out basis) or market. The inventory held by the University consists of expendable supplies held for consumption.

E. Interfund Obligations

Interfund obligations represent the temporary use of current funds pending reimbursement of expenditures among funds.

F. Net Investment in Plant

Buildings and equipment are stated at appraised value or actual cost where determinable. Land is stated at cost. Construction is capitalized as expended and reflected in Net Investment in Plant. Expenditures for renewals and replacements are capitalized only to the extent that such expenditures represent long-term improvements to properties. Current fund expenditures for equipment are capitalized when the unit acquisition cost is greater than \$5,000 and the estimated useful life is two years or more. Library acquisitions are capitalized using average cost per volume that approximates historical cost. The accompanying financial statements include no provision for depreciation of plant assets.

To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as (1) expenditures, in the case of normal replacement of movable equipment and library books, (2) mandatory transfers, in the case of required provisions for debt amortization and interest, and (3) transfers of a nonmandatory nature for all other cases. Plant assets, at the time of disposal, revert to the Commonwealth of Virginia for disposition. Proceeds, if any, may be returned to the University.

G. Accrued Leave

Accrued leave reflected in the accompanying financial statements represents the amount of vacation, sick, and compensatory leave earned by employees of the University as of June 30, 2001. The amount represents all earned vacation, sick, and compensatory leave payable under the Commonwealth of Virginia's leave payout policy upon employment termination. The applicable share of employer related taxes payable on the eventual termination payments is also included.

H. Deferred Revenue

Deferred revenue represents moneys received but not earned as of June 30, 2001. In the Current Unrestricted funds, deferred revenue represents student tuition and fees received in advance of the academic term.

I. Total Columns

Total columns on the financial statements are captioned "Total – Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

2. AFFILIATED ORGANIZATIONS

The financial statements do not include the assets, liabilities, and fund balances of the Norfolk State University Foundation, Inc. and the Athletic Foundation of Norfolk State University, Inc. The Athletic Foundation of Norfolk State University, Inc. and the Norfolk State University Foundation, Inc. were audited for the year ended June 30, 2001, by independent certified public accountants.

The following is a condensed summary of the audited financial conditions, which the Foundations have submitted to the University.

	Norfolk State Athletic Foundation at June 30, 2001	Norfolk State University Foundation at June 30, 2001
Assets	<u>\$278,051</u>	<u>\$8,500,548</u>
Liabilities	\$ 10,000	\$ 275,566
Fund balances	<u>268,051</u>	<u>8,224,982</u>
Total liabilities and fund Balances	<u>\$278,051</u>	<u>\$8,500,548</u>

The aggregated revenues and expenditures of these organizations were \$1,976,017 and \$1,006,470, respectively.

3. RESTATEMENT OF BEGINNING FUND BALANCE – AUXILIARY ENTERPRISES

The University has restated the beginning fund balance in its Contingency Fund Auxiliary by \$4,059,080. During fiscal years ending June 30 1992 through 1997, the University incurred shortfalls in its Education and General fund (E and G) totaling \$4,059,080. During those years, the University transferred available auxiliary enterprise funds to E and G to cover the shortfalls. The University has recorded the total transferred as an amount due from the E and G fund as of June 30, 2001, resulting in a substantial increase in the Contingency Fund Auxiliary fund balance.

4. CASH AND INVESTMENTS

All state funds of the University are held by the Treasurer of Virginia, pursuant to Section 2.1-177, et seq., Code of Virginia, who is responsible for the collection, disbursement, custody, and investment of state funds. Each fund's equity in pooled state funds is reported as "Cash" on the accompanying balance sheet and is not categorized as to credit risk. Certain deposits are also held by the University. Deposits with banks and savings institutions are covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act. Under this Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50 percent of excess deposits to a collateral pool in the name of the State Treasury board. Savings institutions are required to collateralize 100 percent of deposits in excess of FSLIC limits.

Statutes authorize the investment of funds held by the University in obligations of the Commonwealth, federal government, other states or political subdivisions thereof, Virginia political subdivisions, the International Bank for Reconstruction and Development, the Asian Development Bank, and the African Development Bank. In addition, the University may invest in prime quality commercial paper rated prime 1 by Moody's Investment Service or A-1 by Standard and Poor's Incorporated, overnight term or open repurchase agreements and money market funds comprised of investments which are otherwise legal investments of the University.

The University's investments are categorized below to give an indication of the level of credit risk assumed by the University at June 30, 2001. Credit risk is the risk that the University may not be able to obtain possession of its investment instrument or collateral at maturity. Risk category 1 includes investments which are insured or registered or for which the securities are held by the University or its safekeeping agent in the University's name. Risk category 2 would include uninsured or unregistered investments for which the securities are held by the broker or dealer's trust department or safekeeping agent in the University's name. Risk category 3 includes uninsured or unregistered investments for which the securities are held by the broker or dealer, or by its trust department or safekeeping agent, but not in the University's name. The composition and categorization of investments held by the University at June 30, 2001, is as follows:

<u>Temporary Investments</u>		<u>Fair Value</u>
Category 3:		
Repurchase agreement		\$224,752
Noncategorized:		
Money market		<u>692,696</u>
Total temporary investments		<u>\$917,448</u>
<u>Investments</u>		
Category 1:		
Repurchase agreement		<u>\$ 886,707</u>
	<u>Temporary</u>	<u>Investments</u>
	<u>Investments</u>	
Current Funds:		
Unrestricted	\$ 614,690	\$ 101,591
Restricted	18,349	-
Loan Funds	64,221	-
Plant Funds:		
Renewals and replacements	-	407,000
Retirement of indebtedness	-	378,116
Agency Funds	<u>220,188</u>	<u>-</u>
Total	<u>\$ 917,448</u>	<u>\$ 886,707</u>

Investments held by the Treasurer of Virginia represent the University's allocated share of securities received for securities lending transactions held in the General Account of the Commonwealth. Information related to the credit risk of these investments and securities lending transactions held in the General Account is available on a statewide level in the Commonwealth of Virginia's Comprehensive Annual Financial Report.

5. LONG-TERM DEBT

A summary of changes in long-term indebtedness follows:

	Balance <u>July 1, 2000</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2001</u>
Notes payable	\$ 2,922,442	\$ -	\$ 108,272	\$ 2,814,170
Bonds payable	21,996,043	-	1,431,457	20,564,586
Lease purchases	<u>1,336,639</u>	<u>-</u>	<u>544,942</u>	<u>791,697</u>
Total	<u>\$26,255,124</u>	<u>\$ -</u>	<u>\$2,084,671</u>	<u>\$24,170,453</u>

Long-term debt of the University at June 30, 2001, consists of the following:

Notes Payable

Norfolk State University Dormitory Revenue Note Series 1982, issued \$4,300,000, (reduced to \$3,912,000 in April 1985, due to early extinguishment of \$388,000), payable in semiannual installments varying from \$45,279 to \$85,889 with interest of 3 percent payable semiannually; the final installment of \$85,889 due in 2022.

Until the principal of and interest on this note are paid in full, the University is also required, upon completion of the project, to establish from such revenues and maintain a debt service reserve equal to \$174,400, accumulated at the rate of at least \$21,800 semiannually, and once the debt service reserve has been fully funded an equipment reserve equal to \$141,000, accumulated at the rate of \$14,100 per year, and a repairs reserve equal to \$266,000, accumulated at a rate not to exceed \$26,600 per year.

\$ 2,655,314

The University acquired the deed of bargain and sale from the City of Norfolk for the Brambleton Center in consideration of 6 full scholarships for the benefit of Norfolk residents. Scholarships payable each year vary from \$4,953 to \$14,439 with the final payment due in 2019.

158,856

Total notes payable

\$ 2,814,170

Bonds Payable

East Campus Cafeteria Revenue Bonds Series 1991A, issued \$4,055,000 (reduced to \$1,655,000 in December 1993 due to refinancing and reduced to \$1,440,000 in January 1996 due to refinancing), balance payable in annual installments with interest of 6.2 percent payable semiannually, the final installment of \$200,000 due in 2002.	\$ 200,000
Residence Halls Revenue Bonds Series 1991A, issued \$9,320,000 (reduced to \$3,810,000 in December 1993 due to refinancing and reduced to \$3,320,000 in January 1996 due to refinancing), balance payable in annual installments with interest of 6.2 percent payable semiannually, the final installment of \$460,000 due in 2002.	460,000
Health and ROTC Buildings Refunded Bonds, dated 1993, issued for \$505,820, balance payable in annual installments varying from \$414 to \$240,414 with interest of 4.6 percent to 4.9 percent payable semiannually, the final installment of \$240,414 due in 2004.	241,242
Health and ROTC Building Refunding Bonds, Series 1993B issued for \$1,218,578, balance payable in annual installments varying from \$196,203 to \$210,280 with interest of 4.25 percent to 4.5 percent payable semiannually, the final installment of \$210,280 due in 2003.	406,483
Student Housing - Residence Hall Refunding Bonds, Series 1993B issued for \$2,668,285, balance payable in annual installments varying from \$234,513 to \$338,411 with interest of 4.25 percent to 5 percent payable semiannually, the final installment of \$338,411 due in 2010.	2,521,424
Residence Hall Refunding Bonds Series 1993B, issued for \$5,813,068, balance payable in annual installments varying from \$48,239 to \$794,238 with interest of 4.25 percent to 5 percent payable semiannually, the final installment of \$794,238 due in 2011.	5,519,250
East Campus Cafeteria Refunding Bonds, Series 1993B, issued for \$2,530,106, balance payable in annual installments varying from \$20,989 to \$348,092 with interest of 4.25 percent to 5 percent payable semiannually, the final installment of \$348,092 due in 2011.	2,402,264
Student Housing - Residence Hall Refunding Bonds, Series 1996 issued for \$523,429, balance payable in annual installments varying from \$4,399 to \$495,278 with interest of 4.75 percent payable semiannually, the final installment of \$495,278 due in 2003.	499,677
East Campus Cafeteria Refunding Bonds, Series 1996, issued for \$229,668, balance payable in annual installments varying from \$1,930 to \$217,316 with interest of 4.75 percent payable semiannually, the final installment of \$217,316 due in 2003.	219,246

Athletic Facility - General Revenue Pledge Bonds 9(d) dated 1996, issued for \$9,260,000, balance payable in semiannual installments varying from \$320,000 to \$690,000 with interest of 4.15 percent to 5.375 percent payable semiannually, the final installment of \$690,000 due in 2018. 8,095,000

Total bonds payable \$20,564,586

Leases Payable

The University has entered into lease agreements with the Virginia College Building Authority (VCBA). The agreements are payable over a five-year period with interest of 4.1 percent to 5 percent payable semiannually. The principal outstanding totaled \$791,697. Under the terms of the leases, the University is authorized to purchase equipment from an approved list of equipment items in an amount not to exceed the principal amount of the leases. Payment for such purchases are to be reimbursed to the University or directly paid by the VCBA from the VCBA Equipment Trust Fund financed from proceeds of bonds issued by the VCBA for such purpose. The General Assembly has appropriated, from the General Fund of the Commonwealth, an amount sufficient to repay principal and interest requirements under the leases.

At June 30, 2001, the University had purchased equipment totaling \$6,899,963 under the lease agreements.

Total leases payable \$ 791,697

Total Long-Term Indebtedness \$24,170,453

A summary of future requirements of long-term debt as of June 30, 2001, follows:

Year Ending June 30,	Notes and Bonds	Capital Leases	Total
2002	\$ 2,697,912	\$ 564,030	\$ 3,261,942
2003	2,706,490	277,637	2,984,127
2004	2,727,332	-	2,727,332
2005	2,476,797	-	2,476,797
2006	2,481,058	-	2,481,058
Later Years	<u>19,158,941</u>	<u>-</u>	<u>19,158,941</u>
Total	\$32,248,530	\$841,667	\$33,090,197
Less interest	<u>(8,869,774)</u>	<u>(49,970)</u>	<u>(8,919,744)</u>
Net	<u>\$23,378,756</u>	<u>\$ 791,697</u>	<u>\$ 24,170,453</u>

6. DEFEASANCE OF DEBT – PRIOR YEARS

During fiscal years 1994 and 1996, certain 1990B and 1991A General Obligation Bonds were defeased by the University. The net proceeds from the sale of those bonds were placed in an irrevocable trust with an escrow agent to provide for all future debt service on the refunded bonds. Accordingly, the trust account assets and the related liability for the defeased bonds are not reflected in the University's financial statements. At June 30, 2001, the following amounts of the defeased bonds were outstanding:

1990 Series B	\$ 2,450,000
1991 Series A	<u>8,240,000</u>
Total	<u>\$10,690,000</u>

7. COMMITMENTS

At June 30, 2001, the University was committed to construction contracts totaling approximately \$947,923. Construction in progress on these contracts totaled \$608,446 at June 30, 2001.

The University is a party to several operating lease agreements for a period of one year, which generally have renewal options. Rental expense under operating leases was \$1,011,610 for the year ended June 30, 2001. Commitments for subsequent fiscal years are as follows:

Year Ending <u>June 30,</u>	
2002	\$ 727,587
2003	641,100
2004	649,262
2005	650,378
2006	644,942
Later Years	<u>9,407,770</u>
Total	<u>\$12,721,039</u>

8. STATE APPROPRIATIONS - CURRENT UNRESTRICTED FUNDS

The Appropriation Act specifies that unexpended appropriations from the General Fund of the Commonwealth shall revert, except as specifically provided by the General Assembly, at the end of a biennium. For years ending at the middle of the biennium, unexpended appropriations that have not been approved for reappropriation in the next year by the Governor, become part of the General Fund of the Commonwealth and are, therefore, no longer available to the University for disbursement.

During the year ended June 30, 2001, the following changes were made to the University's original appropriation, including supplemental appropriations received in accordance with the Appropriation Act of 2000, Chapter 1073, Acts of Assembly.

Original Appropriation (Revised Act)	\$39,166,444
Adjustments:	
Salary regrade funding	192,852
Employee health insurance premium	
Increase	252,405
Deferred compensation match	168,107
Applied Research Center partnership with	
Old Dominion University	26,250
New human resource information system	(33,304)
Higher education retirement contribution	
Savings	(223,146)
Retiree health care credit premium savings	(132,309)
Automobile liability premium payment	(12,044)
Indemnity Bond Premium	(1,195)
Gas and power deregulation	(6,559)
Department of Technology planning	
deficit loan	<u>(50,153)</u>
Adjusted appropriation	<u>\$39,347,348</u>

9. STATE STUDENT LOAN FUND

The University makes loans to qualified students from its Commonwealth of Virginia - Student Loan Fund. During the fiscal year, new loans totaling \$40,052 were made to 29 students. At June 30, 2001, total loans outstanding were \$304,166 and the allowance for doubtful accounts was \$147,803. Summarized below is the fund activity of the State Student Loan Fund for the fiscal year ended June 30, 2001:

Beginning fund balance	\$ 277,374
Interest income and collection fees	58,332
Loan write-offs and expenses	<u>(38,523)</u>
Ending fund balance	<u>\$ 297,183</u>

10. RETIREMENT AND PENSION SYSTEMS

Employees of the University are employees of the Commonwealth. Substantially all full-time classified salaried employees of the University participate in a defined benefit pension plan administered by the Virginia Retirement System (VRS). The VRS also administers life insurance and health related plans for retired employees. Information relating to these plans is available at the statewide level in the Commonwealth of Virginia's Comprehensive Annual Financial Report (CAFR). The Commonwealth, not the University, has overall responsibility for contributions to these plans.

Full-time faculty and certain administrative staff are eligible to participate in other retirement plans. These are fixed contribution programs where the retirement benefits received are based upon employer contributions of 5.4 percent and employee contributions of 5 percent (all of which are paid by the University) and interest and dividends.

Individual contracts issued under the plans provide for full and immediate vesting of both the University's and the employee's contributions. Total pension costs under these plans were \$1,044,598 in fiscal year 2001. Contributions to other retirement plans were calculated using the base salary amount of approximately \$10,044,212 in fiscal year 2001.

11. POST-EMPLOYMENT BENEFITS

The Commonwealth participates in the VRS administered statewide group life insurance program, which provides post-employment life insurance benefits to eligible retired and terminated employees. The Commonwealth also provides health care credits against the monthly health insurance premiums of its retirees who have at least 15 years of service and participate in the state health plan. Information related to these plans is available at the statewide level in the Commonwealth's Comprehensive Annual Financial Report.

12. CONTINGENCIES

The University receives assistance from grantor agencies in the form of grants and contracts for specific purposes that are subject to review and audit by the grantor agencies. Claims against those resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations. Any disallowance resulting from final settlement may become a liability of the University. As of June 30, 2001, the University estimates that no material liabilities will result from such settlements.

As of our audit date, the University has identified \$52,000 in federal financial aid funds due back to the federal granting agency. The University is currently researching certain student records to determine the extent of additional liabilities involving financial aid funds. We cannot determine the possible liability to grantors at this time

13. RISK MANAGEMENT

The University is exposed to various risks of loss related to torts; theft or, damage to, and destruction of assets; errors and omissions; non-performance of duty; injuries to employees; and natural disasters. The University participates in insurance plans maintained by the Commonwealth of Virginia. The state employee health care plan and worker's compensation plans are administered by the Department of Human Resource Management and the risk management insurance plans are administered by the Department of Treasury, Division of Risk Management. Risk management insurance includes property, general liability, faithful performance of duty bond, automobile, and air and watercraft plans. The University pays premiums to each of these Departments for its insurance coverage. Information relating to the Commonwealth's insurance plans is available at the statewide level in the Commonwealth of Virginia's Comprehensive Annual Financial Report.

14. PENDING GASB STATEMENT

Governmental Accounting Standards Board (GASB) Statement No. 35, Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities, issued November 1999, will be effective for Norfolk State University for the fiscal year ending June 30, 2002. This Statement imposes new standards for financial reporting. The titles and formats of the financial statements will change significantly as a result of this Statement. In addition, management will be required to provide a management’s discussion and analysis that gives readers an analysis of the University’s overall financial position and results of operation including a comparison of current year results with the prior year. Norfolk State University has completed its assessment of the changes required by this Statement and is preparing for implementation.

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SUPPLEMENTARY INFORMATION

NORFOLK STATE UNIVERSITY
SCHEDULE OF OPERATIONS - AUXILIARY ENTERPRISES
For the Year Ended June 30, 2001

	Food Services	Residential Facilities	Student Activities	Student Center	Athletics
Revenues:					
Student fees	\$ 306,391	\$ -	\$ 338,221	\$ 363,687	\$ 6,122,061
Sales and services	3,501,317	5,867,683	740,628	63,078	621,659
Investment income	-	49,820	39,939	-	-
Total revenues	3,807,708	5,917,503	1,118,788	426,765	6,743,720
Expenses of operation:					
Personal service	46	620,365	9,191	156,275	1,377,867
Fringe benefits	930	187,621	1,117	44,577	350,804
Contractual services	3,746,626	1,883,612	514,155	122,494	1,148,798
Supplies and materials	5,465	302,862	175,688	34,194	251,744
Current charges and obligations	51,755	653,790	19,989	65,950	71,323
Equipment	-	362,643	37,065	11,605	162,813
Scholarships and fellowships	-	530,773	205,662	-	1,574,339
Auxiliary administration expense	66,258	674,431	142,984	64,611	712,471
Total expenses of operation	3,871,080	5,216,097	1,105,851	499,706	5,650,159
Excess (deficiency) of revenues over (under) expenses of operation before transfers	(63,372)	701,406	12,937	(72,941)	1,093,561
Nonoperating revenue:					
Private gifts	-	-	-	-	204,000
Transfers:					
Mandatory:					
Debt service and sinking fund	(363,649)	(1,359,813)	-	-	(961,141)
Nonmandatory - (To)/From other funds	168,874	445,409	45,308	69,090	437,496
Net increase (decrease) in fund balances	(258,147)	(212,998)	58,245	(3,851)	773,916
Fund balances at July 1, 2000, as restated (Note 1)	191,105	(492,102)	416,234	774,092	(1,542,995)
Fund balances at June 30, 2001	\$ (67,042)	\$ (705,100)	\$ 474,479	\$ 770,241	\$ (769,079)

Note 1: Beginning fund balances have been restated to reflect amounts due from Educational and General Funds for prior period loans. (See Note 3 to Financial statements)

Note 2: Fitness Center formerly reported as Sports Therapy

Parking	Printing Services	Auxiliary Administration	Contingency Fund (1)	Auxiliary Security	Fitness Center (2)	Telephone Services	Auxiliary Enhancement	Total
\$ 371,014	\$ -	\$ -	\$ 324,412	\$ 852,078	\$ -	\$ 7,304	\$ 683,497	\$ 9,368,665
231,471	339,712	96,473	-	2,609	-	-	-	11,464,630
-	-	37,417	-	-	-	-	-	127,176
602,485	339,712	133,890	324,412	854,687	-	7,304	683,497	20,960,471
217,339	32,182	367,360	-	404,219	44,451	-	-	3,229,295
70,545	13,319	100,532	-	47,481	10,557	-	-	827,483
23,804	214,538	134,202	20,018	116,933	13,591	-	270,052	8,208,823
49,768	8,075	14,770	-	68,101	7,958	-	4,735	923,360
-	-	66,938	-	-	-	-	1,120	930,865
158,721	-	-	-	27,981	4,704	-	1,984	767,516
-	-	2,000	-	-	-	-	-	2,312,774
77,246	39,815	(551,912)	514	98,709	11,844	-	41,266	1,378,237
597,423	307,929	133,890	20,532	763,424	93,105	-	319,157	18,578,353
5,062	31,783	-	303,880	91,263	(93,105)	7,304	364,340	2,382,118
-	-	-	-	-	-	-	-	204,000
-	-	-	-	-	-	-	-	(2,684,603)
(4,068)	156,749	-	(200,000)	10,001	-	-	-	1,128,859
994	188,532	-	103,880	101,264	(93,105)	7,304	364,340	1,030,374
677,922	(306,427)	11,500	4,689,347	(829,750)	399,878	133,163	1,058,590	5,180,557
\$ 678,916	\$ (117,895)	\$ 11,500	\$ 4,793,227	\$ (728,486)	\$ 306,773	\$ 140,467	\$ 1,422,930	\$ 6,210,931

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Norfolk, Virginia

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